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ABSTRACT

This guide discusses federal student aid programs for postsecondary education and how to apply for them. It begins by outlining sources for finding out about student aid, such as schools, state higher education agencies, guidance counselors, and organizations connected with particular fields of interest. It offers tips on how to choose a school carefully. The guide presents general information about federal student aid, including eligibility in terms of need and dependency status, the application process, special circumstances, deadlines, and important telephone numbers. It also provides more detailed descriptions of the Federal Pell Grant Program, the Federal Direct Student Loan Program, the Federal Family Education Loan Program, and campus-based programs, such as Federal Supplemental Educational Opportunity Grants, the Federal Work-Study Program, and Federal Perkins Loans. The guide concludes with a discussion of borrower rights and responsibilities, loan deferment procedures, loan cancellation procedures, and a glossary of important terms. (JLS)

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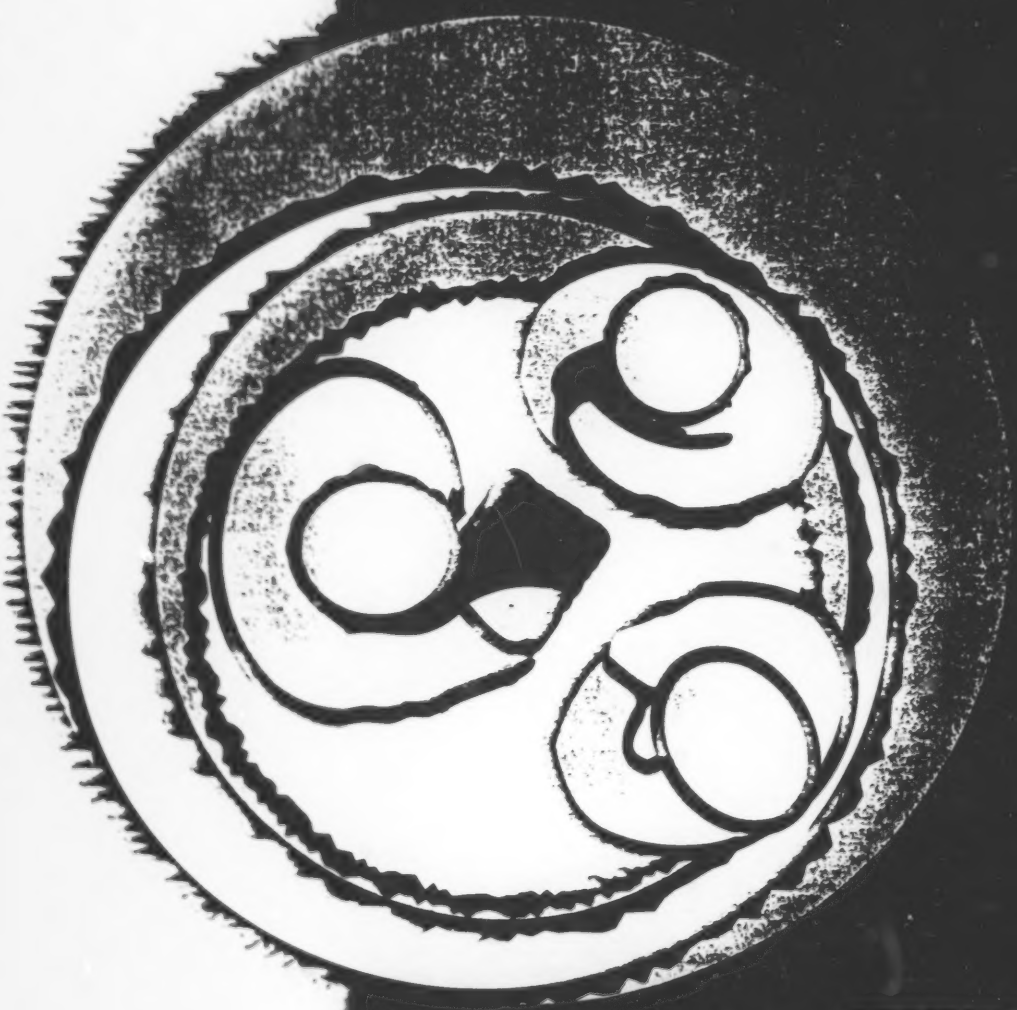

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1997-98 The STUDENT GUIDE

Financial Aid

from the U.S. Department of Education

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Contents

Finding Out About Student Aid 1

General Information 2

Student Eligibility 2

Financial Need 2

Dependency Status 3

Applying 4

Special Circumstances 7

Deadlines 7

Telephone Numbers and Web Sites 8

Federal Pell Grants 9

Direct and FFEL Stafford Loans 10

Direct Stafford Loans 13

FFEL Stafford Loans 15

PLUS Loans (Loans for Parents) 17

Direct PLUS Loans 18

FFEL PLUS Loans 19

Consolidation Loans 20

Direct Consolidation Loans 20

FFEL Consolidation Loans 21

Continued on next page

Campus-Based Programs 22
Federal Supplemental Educational Opportunity Grants 22
Federal Work-Study 23
Federal Perkins Loans 24
Borrower Responsibilities, Borrower Rights 26
Responsibilities 26
Rights 27
Choosing a School Carefully 30
Important Terms 32

Finding Out About Student Aid

The Student Guide tells you about federal Student Financial Assistance (SFA) Programs and how to apply for them. Approximately two-thirds of all student financial aid come from federal programs administered by the U. S. Department of Education. After reviewing this *Guide*, if you still have questions about these programs, call **1-800-4-FED-AID (1-800-433-3243)**.

Education or training after high school costs more than ever. But postsecondary education is more important than ever, so you need to learn about as many sources of aid as you can. Sources you can use to find out about federal and other student aid are described below:

- The financial aid administrator at each school in which you're interested can tell you what aid programs are available there and how much the total cost of attendance* will be.
- The state higher education agency in your home state can give you information about state aid—including aid from the State Student Incentive Grant (SSIG) Program, which is jointly funded by individual states and the U.S. Department of Education.
- The agency responsible in your state for public elementary and secondary schools can give you information on the Robert C. Byrd Honors Scholarship Program (Byrd Program). To qualify for aid under the Byrd Program, you must demonstrate outstanding academic achievement and show promise of continued academic excellence.

  For the address and telephone number of the appropriate state agency, contact your school's financial aid office or call

  1-800-4-FED-AID (1-800-433-3243).

- The AmeriCorps program provides full-time educational awards in return for work in community service. You can work before, during, or after your post-secondary education, and you can use the funds either to pay current educational expenses or to repay federal student loans. For more information on this program, call **1-800-942-2677** or write to: The Corporation for National and Community Service, 1201 New York Avenue, NW, Washington, DC 20525.
- Your public library is an excellent source of information on state and private sources of aid.
- Many companies, as well as labor unions, have programs to help pay the cost of postsecondary education for employees, members, or their children.
- Check foundations, religious organizations, fraternities or sororities, and town or city clubs. Include community organizations and civic groups such as the American Legion, YMCA, 4-H Club, Elks, Kiwanis, Jaycees, Chamber of Commerce, and the Girl or Boy Scouts.
- Don't overlook aid from organizations connected with your field of interest (for example, the American Medical Association or the American Bar Association). These organizations are listed in the U.S. Department of Labor's *Occupational Outlook Handbook* and are also listed in various directories of associations available at your public library.
- If you (or your spouse) are a veteran or the dependent of a veteran, veterans educational benefits may be available. Check with your local Veterans' Affairs office.

*See "Important Terms," pages 32 to 34.

General Information

The U.S. Department of Education has the following major Student Financial Assistance (SFA) Programs:

- Federal Pell Grants
- Stafford Loans
- PLUS loans
- Consolidation Loans
- Federal Supplemental Educational Opportunity Grants (FSEOGs)
- Federal Work-Study
- Federal Perkins Loans

Grants are financial aid you don't have to pay back.

Work-Study lets you work and earn money to help pay for school.

Loans are borrowed money that you must repay with interest.

Undergraduates may receive all three types of financial aid. **Graduate students** may receive loans and Federal Work-Study, but not Federal Pell Grants or FSEOGs.

Not all schools participate in the SFA Programs. Also, not all schools take part in all the programs. To find out which programs (if any) are available at a particular school, contact the financial aid office at that school.

Student Eligibility

To receive aid from the student aid programs discussed in the *Guide*, you must

- have **financial need**, except for some loan programs.
- have a **high school diploma or a General Education Development (GED)* Certificate**, pass a test approved by the U.S. Department of Education, or meet other standards your state establishes that are approved by the U.S. Department of Education. See your financial aid administrator for more information.
- be enrolled or accepted for enrollment as a **regular student*** working toward a degree or certificate in an **eligible program.*** (You may not receive aid for correspondence or telecommunications courses unless they are part of an associate, bachelor's, or graduate degree program.)
- be a **U.S. citizen or eligible noncitizen.***
- have a **valid Social Security Number.**
- make **satisfactory academic progress.***
- sign a **statement of educational purpose and a certification statement on overpayment and default*** (both found on the *Free Application for Federal Student Aid* [FAFSA]).
- register with the **Selective Service,*** if required.

Financial Need

Aid from most of the programs discussed in the *Guide* is awarded on the basis of financial need (except for unsubsidized Stafford, and all PLUS and Consolidation loans—see pages 10 through 22).

When you apply for federal student aid, the information you report is used in a formula established by the U.S. Congress. The formula determines your **Expected Family Contribution (EFC)**, an amount you and your family are expected to contribute toward your education. If your EFC is below a certain amount, you'll be eligible for a Federal Pell Grant, assuming you meet all other eligibility requirements. (See page 9.)

*See "Important Terms," pages 32 to 34.

There isn't a maximum EFC that defines eligibility for the other financial aid programs. (See pages 10 through 25 for information on these programs.) Instead, your EFC is used in an equation to determine your financial need:

	Cost of attendance*
-	Expected Family Contribution (EFC)
=	Financial Need

Your financial aid administrator calculates your cost of attendance* and subtracts the amount you and your family are expected to contribute toward that cost. If there's anything left over, you're considered to have financial need. In determining your need for aid from the SFA Programs, your financial aid administrator must first consider other aid you're expected to receive.

Your financial aid administrator can adjust data used to calculate your EFC or adjust your cost of attendance* if he or she believes your family's financial circumstances warrant it based on the documentation you provide. However, the financial aid administrator does not have to make such an adjustment. For more information on special circumstances, see page 7.

You can get a publication called *The EFC Formula Book*, which describes how a student's EFC is calculated, by writing to:

Federal Student Aid Information Center
P.O. Box 84
Washington, DC 20044

Dependency Status

When you apply for federal student aid, your answers to certain questions will determine whether you're considered dependent on your parents—and, therefore, whether you must report their income and assets as well as your own—or whether you're independent and must report only your own income and assets (and those of your spouse, if you're married).

Students are classified as dependent or independent because federal student aid programs are based on the idea that students (and their parents or spouse, if applicable) have the primary responsibility for paying for their postsecondary education. Students who have access to parental support (dependent students) should not receive need-based federal funds at the expense of students who do not have such access (independent students).

You're an independent student if at least one of the following applies to you:

- you were born before January 1, 1974;
- you're married;
- you're enrolled in a graduate or professional educational program (beyond a bachelor's degree);
- you have legal dependents other than a spouse;
- you're an orphan or ward of the court (or were a ward of the court until age 18); or
- you're a veteran of the U.S. Armed Forces.

If you claim to be an independent student, your school may ask you to submit proof before you can receive any federal student aid. If you think you have unusual circumstances that would make you independent even though none of the above criteria apply to you, talk to your aid administrator. He or she can change your status if he or she thinks your circumstances warrant it based on the documentation you provide. But remember, the aid administrator won't automatically do this. That decision is based on his or her judgment, and it's final—you can't appeal it to the U.S. Department of Education.

See "Important Terms," pages 32 to 34.

Applying

What form do I use?

If you did ***not*** apply for federal student aid for the 1996-97 school year, you can apply for federal aid for the 1997-98 school year by completing and mailing the 1997-98 *Free Application for Federal Student Aid* (FAFSA), by applying electronically (through your school), or by using the U.S. Department of Education's new *FAFSA Express* software.

FAFSA Express is a free software program that allows you to apply for federal student aid from your home computer or from a computer at a central location like a high school, postsecondary school, public library, or local Educational Opportunity Center that uses *FAFSA Express*. *FAFSA Express* can be used only on a personal computer equipped with the Windows® operating system and a modem.

You can get a FAFSA from your high school or postsecondary school or from the Federal Student Aid Information Center at the address given on page 3. If you wish to apply using *FAFSA Express*, you can download a copy of the program from the U.S. Department of Education's World Wide Web site. The address is

www.ed.gov/offices/OPE/express.html

You can also order *FAFSA Express* on diskette by calling **1-800-801-0576**. If you don't have a home computer, check with your local public library, college, local Educational Opportunity Center, or your high school to find out if it has a copy of *FAFSA Express* for public use.

If you wish to apply electronically (through your school), you must check with your school or the school that interests you to make sure that the school has electronic application capability.

If you ***did*** apply for federal student aid for the 1996-97 school year, you probably will be able to file a 1997-98 *Renewal Free Application for Federal Student Aid* (Renewal FAFSA). You'll either receive it at your home address or from your school. You may also be able to file a Renewal FAFSA electronically. Currently, there is no "renewal" version of *FAFSA Express*. If you want to apply using *FAFSA Express*, you must complete the entire *FAFSA Express* program each year regardless of how you originally applied.

If you qualify to use the Renewal FAFSA, you'll have fewer questions to answer. Most of the information on the form will be preprinted and will be the same as the information you gave in 1996-97 (plus any of your corrections that were processed). You'll only have to write in some new information and information that has changed since 1996-97 (for example, family size). Check with your financial aid administrator if you have questions about the Renewal FAFSA.

For most of the federal student aid programs, the FAFSA (or Renewal FAFSA) is the only form you need to file. To receive a Federal Family Education Loan (FFEL) Stafford Loan or a Direct or FFEL PLUS Loan, you will have to complete additional forms. (See pages 15, 18, and 19.)

Remember, applying for federal student aid is FREE.

However, to be considered for nonfederal aid such as institutional aid (aid from the school), you may have to fill out additional forms and pay a processing fee. Check with your school to see which nonfederal application to fill out, if any.

Read the instructions carefully when you complete the FAFSA or the Renewal FAFSA. Most mistakes are made because students don't follow instructions. Pay special attention to any questions on income, because most errors occur in this area.

When you apply, you should have certain records on hand. These records are listed on the application. You should save all records and all other materials used in completing the application because you may need them later to prove that the information you reported is correct. This process is called **verification.**

If verification is required, and you don't provide it, you won't receive aid from the SFA Programs, and you might not receive aid from other sources. You should make a photocopy of your application (or print out a copy of your *FAFSA Express* application) before you submit it. This way, you have a copy of the data you submitted for your own records. So be sure you keep all documents and that the information you report is accurate!

When do I apply?

Apply as soon **AFTER January 1, 1997** as possible. (You can't apply before this date.) It's easier to complete the application when you already have your 1996 tax return, so you may want to consider filing your taxes as early as possible. Do not sign, date, or send your application before January 1, 1997. If you apply by mail, send your completed application in the envelope that came with it. It is already addressed, and using it will ensure that your application reaches the correct address.

NOTE: You must reapply for federal aid every year. Also, if you change schools, your aid doesn't go with you. Check with your new school to find out what steps you must take to continue receiving aid.

What happens after I apply?

If you apply by mail, your application will be processed in approximately four weeks. Then, you'll receive a *Student Aid Report* (SAR) in the mail. The SAR will report the information from your application and, if there are no questions or problems with your application, your SAR will report your Expected Family Contribution (EFC), the number used in determining your eligibility for federal student aid. Each school you listed on the application may also receive your application information if the school can receive the information electronically.

Each paper version of the FAFSA and the Renewal FAFSA contain a postcard that you can use to track the processing of your application. You must fill in the postcard with the required information, attach a stamp to the postcard, and mail it with your application. When your application is received by the Department of Education's central processing system, the postcard will be stamped with the date that it is received. You will receive the date-stamped portion of the postcard for your files. If you do not receive your SAR within four weeks of the date stamped on the postcard, you may call **1-800-4-FED-AID (1-800-433-3243)** to see when your application was processed.

If you apply electronically through a school, your application will be processed in about a week. The results will be sent electronically to your school if the school can receive the information electronically. You'll also receive a SAR in the mail.

If you apply using *FAFSA Express*, your data will be processed when received by the central processing system. You'll receive a SAR in the mail approximately four weeks after you mail in the signature page that can be printed from the *FAFSA Express* software. The SAR will report the information from your application and, if there are no questions or problems with your application, your SAR will report your EFC. The results will also be sent to the schools you list on your application if the schools can receive the information electronically.

However, if you do not mail in the signature page so it is received within 14 days of transmitting your data, or if you indicate on your application that a printer is not available, you will receive a SAR without an EFC. You (and your parents if you are a dependent student) must sign the SAR and return it to the central processing system. The central processing system will send a revised SAR to you and, if there are no questions or problems with your application, the revised SAR will include your EFC. Your school cannot award you any federal student aid until you have your EFC.

When you receive the SAR, you must review it carefully to make sure it's correct. If any changes are necessary, your school may be able to submit the corrections electronically. If you applied by mail or by using *FAFSA Express*, you can make corrections on Part 2 of the SAR and return it to the address given at the end of Part 2.

If the data are correct and you don't need to make changes, you can receive financial aid on the basis of that information. If your school has not received your application information electronically, you must take your SAR to the school.

If it's been more than four weeks since you mailed in your application and you haven't heard anything, you can check on your application by calling **1-319-337-5665** (Monday - Friday, 9 a.m. to 8 p.m., Eastern Time). Or, you can write to

Federal Student Aid Information Center
P.O. Box 84
Washington, DC 20044

Once you have received your SAR, you can use this phone number and address to

- provide notification of a change in your address.
- have your application information sent to a specific school.

You can also use this number and address to request a duplicate copy of your SAR.

You can also request a duplicate copy by writing to the address given at the end of Part 2 of the SAR. You'll receive the duplicate SAR in two to three weeks.

If you write, make sure you include in your letter your full name, permanent address, Social Security Number, date of birth, and signature.

Your duplicate SAR will be sent to the address you reported on your application. If your address has changed since then, you can correct your address by contacting the Federal Student Aid Information Center at the address or phone number given above, or the FAFSA processor where you sent your application.

Special Circumstances

Although the process of determining a student's eligibility for federal student aid is basically the same for all applicants, there is some flexibility. For instance, if your financial aid administrator believes it's appropriate, based on the documentation you provided, he or she can change your status from dependent to independent (see page 3).

In some cases, your financial aid administrator may adjust your cost of attendance* or the information used to calculate your Expected Family Contribution (EFC) to take into account circumstances that might affect the amount you and your family are expected to contribute toward your education. These circumstances could include a family's unusual medical or dental expenses, or tuition expenses for children attending a private elementary or secondary school. Also, an adjustment may be made if you, your spouse, or either of your parents (if applicable) have been recently unemployed. If conditions such as these apply to you or your family, contact your financial aid administrator.

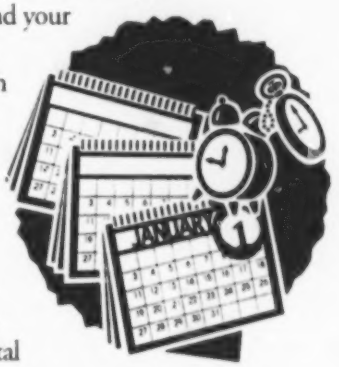
Check with your financial aid administrator if you feel you have any other special circumstances that might affect the amount you and your family are expected to contribute. But remember, there have to be very good reasons for the financial aid administrator to make any adjustments, and you'll have to provide adequate proof to support those adjustments. Also, remember that the financial aid administrator's decision is final and cannot be appealed to the U.S. Department of Education.

Deadlines

Application Submission

Whether you apply electronically or by mail, your application must be received by the application processor by **June 30, 1998** for the 1997-98 school year.

THERE ARE NO EXCEPTIONS TO THIS DEADLINE.



Apply as soon **AFTER January 1, 1997** as you can. (Do not sign, date, or send your application before this date.) Schools set deadlines by which students must apply for aid from programs that the school administers. These deadlines are often early in the calendar year. Students must meet these deadlines to receive certain types of funds, including Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study, and Federal Perkins Loan program funds (see page 22).

SAR *Submission*

Your correct, complete application information must be at your school by your last day of enrollment in 1997-98 or by August 31, 1998, whichever is earlier (see your financial aid administrator). If your school has not received your application information electronically, you must submit your SAR to the school by the appropriate deadline. Be sure you know your last day of enrollment in 1997-98—it may be earlier than August 31.

NOTE: If you're selected for verification (see page 5), additional deadlines apply to you. Your financial aid administrator can tell you what they are.

*See "Important Terms," pages 32 to 34.

Telephone Numbers and Web Sites

If you need answers right away to questions about federal student aid, call the appropriate number listed below at the Federal Student Aid Information Center between 9 a.m. and 8 p.m. (Eastern Time), Monday through Friday:

1-800-4-FED-AID (1-800-433-3243),
This is a toll-free number.

The Information Center can

- assist you in completing the FAFSA.
- tell you whether a school participates in the federal student aid programs and that school's student loan default* rate.
- explain federal student aid eligibility requirements.
- explain the process of determining financial need and awarding aid.
- send federal student aid publications to you.

Call 1-319-337-5665 at the Information Center if you want to

- find out if your federal student financial aid application has been processed.
- request a copy of your *Student Aid Report* (SAR).
- provide notification of a change in your address.
- have your application information sent to a specific school.

Please note that you'll have to pay for this call. Collect calls cannot be accepted, and these services are not available through the toll-free number given above.

If you're hearing-impaired, you may call 1-800-730-8913, which is a toll-free TDD number at the Information Center. Call this number for help with any federal student aid questions you may have.

If you have reason to suspect any fraud, waste, or abuse involving federal student aid funds, you may call 1-800-MIS-USED (1-800-647-8733), a toll-free number, which is the hotline to the U.S. Department of Education's Inspector General's office. You may remain anonymous, if you wish.

The Student Guide is also available online, on the Department of Education's World Wide Web site through the Internet. The Site address is

www.ed.gov/prog_info/SFA/StudentGuide

Help in completing the FAFSA is available online too. The address is

www.ed.gov/prog_info/SFA/FAFSA

A list of Title IV school codes that you may need to complete the FAFSA is available at

www.ed.gov/offices/OPE/t4_codes.html

See "Important Terms," pages 32 to 34.

Federal Pell Grants

What is a Federal Pell Grant?

A Federal Pell Grant, unlike a loan, does not have to be repaid. Pell Grants are awarded only to undergraduate students who have not earned a bachelor's or professional degree. (A professional degree would include a degree in a field such as pharmacy or dentistry.) For many students, Pell Grants provide a foundation of financial aid to which other aid may be added.

How do I qualify?

To determine if you're eligible financially, the U.S. Department of Education uses a standard formula, established by Congress, to evaluate the information you report when you apply. (See page 2.) The formula produces an Expected Family Contribution (EFC) number. Your *Student Aid Report* (SAR) contains this number and will tell you if you're eligible.

How much money can I get?

Awards for the 1997-98 award year (July 1, 1997 to June 30, 1998) will depend on program funding. The maximum award for the 1996-97 award year was $2,470. You can receive only one Pell Grant in an award year. How much you get will depend not only on your EFC but on your cost of attendance,* whether you're a full-time or part-time student, and whether you attend school for a full academic year* or less. You may not receive Pell Grant funds from more than one school at a time.

How will I be paid?

Your school can either credit the Pell Grant funds to your school account, pay you directly (usually by check), or combine these methods. The school must tell you in writing how and when you'll be paid and how much your award will be. Schools must pay you at least once per term (semester, trimester, or quarter). Schools that do not use formally defined, traditional terms must pay you at least twice per academic year.*

*Can I receive a Federal Pell Grant if I am enrolled less than half time?**

Yes, if you're otherwise eligible. You won't receive as much as if you were enrolled full time, but your school must disburse your Pell Grant funds in accordance with your enrollment status and cannot refuse you an award simply because you're enrolled less than half time.*

**See "Important Terms," pages 32 to 34.*

Direct and FFEL Stafford Loans

Direct and FFEL Stafford Loans are the Department's major form of self-help aid. Direct Stafford Loans are available through the William D. Ford Federal Direct Loan (Direct Loan) Program and FFEL Stafford Loans are available though the Federal Family Education Loan (FFEL) Program. The terms and conditions of a Direct Stafford or a FFEL Stafford are similar. The major differences between the two are the source of the loan funds, some aspects of the application process, and the available repayment plans. Under the Direct Loan Program, the funds for your loan are lent to you directly by the U.S. government. If your school does not participate in Direct Loans, the funds for your loan are lent to you from a bank, credit union, or other lender that participates in the FFEL Program.

The Direct and FFEL programs also offer PLUS loans for parents of dependent students (see page 17) and Consolidation Loans (see page 20).

What kinds of Direct and FFEL Stafford Loans are available?

Direct and FFEL Stafford Loans are either subsidized or unsubsidized. A **subsidized** loan is awarded on the basis of financial need (see page 2). You will not be charged any interest before you begin repayment or during authorized periods of deferment (see page 12). The federal government "subsidizes" the interest during these periods.

An **unsubsidized** loan is not awarded on the basis of need. You'll be charged interest from the time the loan is disbursed until it is paid in full. If you allow the interest to accumulate, it will be **capitalized**—that is, the interest will be added to the principal amount of your loan and additional interest will be based upon the higher amount. This will increase the amount you have to repay. If you choose to pay the interest as it accumulates, you'll repay less in the long run.

You can receive a subsidized loan and an unsubsidized loan for the same enrollment period.

Who can get a Direct or FFEL Stafford Loan?

If you're a regular student* enrolled in an eligible program* of study at least half time,* you may receive a Direct or FFEL Stafford Loan. You must also meet other general eligibility requirements (see page 2).

How much can I borrow?

If you're a dependent undergraduate student (see page 3) you can borrow up to

- $2,625 if you're a first-year student enrolled in a program of study that is at least a full academic year.*
- $3,500 if you've completed your first year of study and the remainder of your program is at least a full academic year.*
- $5,500 a year if you've completed two years of study and the remainder of your program is at least a full academic year.*

If you're an independent undergraduate student or a dependent student whose parents are unable to get a PLUS Loan (see pages 17 through 19), you can borrow up to

- $6,625 if you're a first-year student enrolled in a program of study that is at least a full academic year* (only $2,625 of this amount may be in subsidized loans).
- $7,500 if you've completed your first year of study and the remainder of your program is at least a full academic year* (only $3,500 of this amount may be in subsidized loans).

*See "Important Terms," pages 32 to 34.

- $10,500 a year if you've completed two years of study and the remainder of your program is at least a full academic year* (only $5,500 of this amount may be in subsidized loans).

For periods of study that are less than an academic year,* the amounts you can borrow will be less than those just listed. Talk to your financial aid administrator to find out how much you can borrow.

*NOTE: Direct and FFEL Stafford Loans are not made to students enrolled in programs that are less than one-third of an academic year.**

Generally, if you're a graduate student, you can borrow up to $18,500 each academic year.* (Only $8,500 of this amount may be in subsidized Stafford loans.)

*NOTE: The amounts given above are the maximum yearly amounts you can borrow in both subsidized and unsubsidized loans. You may receive less than these yearly maximum amounts if you receive other financial aid that is used to cover a portion of your cost of attendance.**

The total debt you can have outstanding from all Stafford Loans combined is

- $23,000 as a dependent undergraduate student.
- $46,000 as an independent undergraduate student (only $23,000 of this amount may be in subsidized loans).
- $138,500 as a graduate or professional student (only $65,500 of this amount may be in subsidized loans). The graduate debt limit includes any Stafford Loans received for undergraduate study.

What's the interest rate charged on these loans?

If you have a loan that was first disbursed on or after July 1, 1994, the interest rate could change each year of repayment depending on changes to the federal treasury bill interest rate, but it will never exceed 8.25 percent. The interest rate is adjusted each year on July 1. You'll be notified of interest rate changes throughout the life of your loan.

If you had loans that were first disbursed before July 1, 1994, the interest rate on these loans may be different. Check with the lender or agency that holds your loan.

If you have subsidized loans (see page 10), you will not be charged interest while you're enrolled in school at least half time,* during a grace period, or during authorized periods of deferment (see page 12). Interest will begin to accrue—that is, accumulate—when you enter repayment.

If you have unsubsidized loans, you'll be charged interest from the day the loan is disbursed until it is repaid in full, including in-school, grace, and deferment periods. You may choose to pay the interest during these periods, or it can be capitalized (see page 10).

Is there a charge for these loans?

You'll pay fees of up to 4 percent of the loan. These fees are deducted proportionately from each disbursement of your loan. For a FFEL Stafford Loan, a portion of this fee goes to the federal government to help reduce the cost of the loans. For a Direct Stafford Loan, all of this fee goes to the government to help reduce the cost of the loans. Also, if you don't make your loan payments when they're scheduled, you may be charged collection costs and late fees.

*See "Important Terms," pages 32 to 34.

When do I pay back these loans?

After you graduate, leave school, or drop below half-time* enrollment, you have six months before you begin repayment. This is called a "grace period."

During the grace period on a subsidized loan, you don't have to pay any principal, and no interest will be charged. During the grace period on an unsubsidized loan, you don't have to pay any principal, but interest will be charged. You can either pay the interest or allow it to be capitalized (see page 10).

After you leave school or drop below half-time* enrollment, you'll receive information about repayment and will be notified of the date repayment begins. However, you're responsible for beginning repayment on time, even if you don't receive this information.

Is it ever possible to postpone repayment of my loan?

Yes. Under certain circumstances, you can receive a deferment or forbearance on your loan. A **deferment** allows you to temporarily postpone payments on your loan. If you have a subsidized loan, you will not be charged interest during the deferment. If your loan is unsubsidized, you will be responsible for the interest on the loan during the deferment. If you don't pay the interest as it accrues, it will be capitalized (see page 10). See page 28 for the list of deferments available if your loan was first disbursed on or after July 1, 1993. For information on deferments for loans disbursed prior to that date, Direct Stafford Loan borrowers should contact the Direct Loan Servicing Center. FFEL Stafford borrowers should contact the lender or agency holding the loans. You can't receive a deferment if your loan is in default.*

If you are temporarily unable to meet your repayment schedule but are not eligible for a deferment, you may receive **forbearance** for a limited and specified period. During forbearance, your payments are postponed or reduced. Whether your loans are subsidized or unsubsidized, you will be charged interest. If you don't pay the interest as it accrues, it will be capitalized (see page 10).

For example, you may be granted forbearance if you are

- unable to pay due to poor health or other unanticipated personal problems.
- serving in a medical or dental internship or residency.
- serving in a position under the National Community Service Trust Act of 1993.
- obligated to make payments on certain federal student loans that are equal to or greater than 20 percent of your monthly gross income.

Deferments and forbearances are not automatic. If you have a Direct Stafford Loan, you must contact the Direct Loan Servicing Center to request either option. If you have a FFEL Stafford Loan, you must contact the lender or agency that holds your loan. For either program, you may have to provide documentation to support your request. **You must continue making scheduled payments until you receive notification that the deferment or forbearance has been granted.**

Can my loan be discharged (canceled)?

Yes, in certain circumstances. A discharge releases you from all obligation to repay the loan. A complete listing of discharge conditions is given on page 29.

*See "Important Terms," pages 32 to 34.

Your loan can't be discharged because you didn't complete the program of study at the school (unless you were unable to complete the program because the school closed), didn't like the school or the program of study, or didn't obtain employment after completing the program of study.

Repayment assistance (not a discharge but another way to satisfy your obligation to repay) may be available if you serve in the military. For more information, contact your recruiting officer.

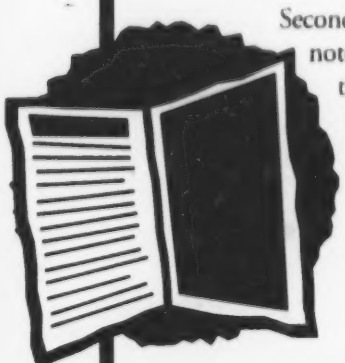
For more information about discharge or repayment assistance, Direct Stafford Loan borrowers should contact the Direct Loan Servicing Center. FFEL Stafford Loan borrowers should contact the lenders or agencies that hold their loans.

Direct Stafford Loans

The processes of applying for a loan and paying funds to the borrower, as well as the methods of repayment, differ somewhat for Direct Stafford Loans and FFEL Stafford Loans.

How do I apply for a Direct Stafford Loan?

First, complete the 1997-98 *Free Application for Federal Student Aid* (FAFSA) or Renewal FAFSA. (See page 4.) After your FAFSA is processed, your school will review the results and will inform you of your loan eligibility.



Second, complete the promissory note* provided by your school or the Direct Loan Servicing Center. Remember, the promissory note* is a legal document requiring you to repay the loan. Read it carefully before you sign.

NOTE: Your school can refuse to certify your loan application or can certify a loan for an amount less than you would otherwise be eligible for, if the school documents the reason for its action and explains the reason to you in writing. The school's decision is final and cannot be appealed to the U.S. Department of Education.

How will I receive my Direct Stafford Loan?

The U.S. Department of Education will pay you through your school. In most cases, your loan will be disbursed in at least two installments; no installment can be greater than half the amount of your loan.

Your loan money must first be used to pay for your tuition and fees, room and board, and other school charges. If loan money remains, you'll receive the funds by check or in cash unless you give the school written permission to hold the funds until later in the enrollment period.

If you're a first-year undergraduate student and a first-time borrower, your first payment may not be disbursed until 30 days after the first day of your enrollment period. This way, you won't have to repay the loan if you don't begin classes or if you withdraw during the first 30 days of classes. (However, you may owe money to the school for a portion of tuition or other fees.)

How do I pay back my Direct Stafford Loan?

The Direct Loan Program offers four repayment plans that are available to borrowers of Direct Stafford Loans. The repayment plans will be explained in more detail during entrance and exit counseling sessions at your school. The chart on page 14 shows estimated monthly payments for various loan amounts under each of the plans. In some cases it may be beneficial for you

*See "Important Terms," pages 32 to 34.

Examples of Typical Beginning Payments for Direct Loan Repayment Plans[1]

Total Debt When Borrower Enters Repayment	Monthly and Total Payments Under Different Repayment Plans									
	Standard		Graduated		Extended		Income Contingent[2] (Income=$25,000) Single		Married/HOH[3]	
	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total
$2,600	$50	$3,228	$25	$4,227	$50	$3,228	$24	$4,589	$23	$4,634
4,000	50	5,827	28	6,924	50	5,827	37	7,060	36	7,129
7,500	92	11,039	53	12,982	82	11,839	69	13,237	67	13,366
10,000	123	14,718	70	19,085	97	17,463	93	17,650	89	17,822
15,000	184	22,078	105	28,628	146	26,194	139	26,474	134	26,732

[1] *Note: Payments are calculated using the maximum interest rate of 8.25% for student borrowers.*
[2] *Assumes a 5% annual income growth (Census Bureau).*
[3] *HOH is Head of Household. Assumes a family size of two.*

to consolidate one or more of your Direct Stafford Loans into a Consolidation Loan. See page 20 for more information on loan consolidation.

You may choose one of the following repayment plans

- The **Standard Repayment Plan** requires you to pay a fixed amount each month—at least $50—for up to 10 years. The length of your actual repayment period will depend on your loan amount.
- The **Extended Repayment Plan** allows you to extend loan repayment over a period that is generally 12 to 30 years, depending on your loan amount. Your monthly payment may be lower than it would be if you repaid the same total loan amount under the Standard Repayment Plan, but you may repay a higher total amount of interest because the repayment period may be longer. The minimum monthly payment is $50.
- Under the **Graduated Repayment Plan,** your payments will be lower at first and then increase generally every two years. The length of your repayment period will generally range from 12 to 30 years, depending on your loan amount. Your monthly payment may range from 50 percent to 150 percent of what it would be if you were repaying the same total loan amount under the Standard Repayment Plan. However, you'll repay a higher total amount of interest because the repayment period is longer than it is under the Standard Repayment Plan.
- The **Income Contingent Repayment Plan** bases your monthly payment on your yearly income and your loan amount. As your income rises or falls, so do your payments. After 25 years, any remaining balance on the loan will be forgiven, but you may have to pay taxes on the amount forgiven.

Loan payments are made to the U.S. Department of Education. For more information on repayment options, write for a copy of the *Direct Loans Repayment Book* at the following address:

Federal Student Aid Information Center
P.O. Box 84
Washington, DC 20044

FFEL Stafford Loans

The processes of applying for a loan and paying funds to the borrower, as well as the methods of repayment, differ somewhat for Direct Stafford Loans and FFEL Stafford Loans.

How do I apply for a FFEL Stafford Loan?

First, complete the 1997-98 *Free Application for Federal Student Aid* (FAFSA) or Renewal FAFSA. (See page 4.) After your FAFSA is processed, your school will review the results and will inform you about your general loan eligibility.

Second, complete the *Federal Stafford Loan Application and Promissory Note*, available from your school, a lender, or your state guaranty agency.* Remember, the promissory note* is a legal document requiring you to repay the loan. Read it carefully before you sign.

Third, take your completed *Federal Stafford Loan Application and Promissory Note* to the school you plan to attend. After the school completes its portion of the application, you (or the school on your behalf) must send the application to a lender for evaluation.

NOTE: Your school can refuse to certify your loan application, or can certify a loan for an amount less than you would otherwise be eligible for, if the school documents the reason for its action and explains the reason to you in writing. The school's decision is final and cannot be appealed to the U.S. Department of Education.

How can I find a lender?

Contact your school or the guaranty agency* that serves your state. For your agency's address and telephone number, and for more information about borrowing, call the Federal Student Aid Information Center's toll-free number: **1-800-4-FED-AID (1-800-433-3243)**.

How will I receive my FFEL Stafford Loan?

In most cases, the lender will send the loan funds to your school in at least two installments. No installment can be greater than half the amount of your loan.

Your loan money must first be used to pay for your tuition and fees, room and board, and other school charges. If loan money remains, you'll receive the funds by check or in cash, unless you give the school written permission to hold the funds until later in the enrollment period.

If you're a first-year undergraduate student and a first-time borrower, your first payment may not be disbursed until 30 days after the first day of your enrollment period. This way, you won't have to repay the loan if you don't begin classes or if you withdraw during the first 30 days of classes. (However, you may owe money to the school for a portion of tuition or other fees.)

How do I pay back my FFEL Stafford Loan?

There are three repayment plans that are available to borrowers of FFEL Stafford Loans if your first FFEL Program Loan was disbursed on or after July 1, 1993. All the repayment plans require you to repay the loan within 10 years. The repayment plans will be explained in more detail during entrance and exit counseling sessions at your school. The chart on page 16 shows examples of estimated monthly payments for various loan amounts under each of the

*See "Important Terms," pages 32 to 34.

plans. Aspects of these repayment plans will vary by lender. Check with the lender for complete information.

You may choose one of the following repayment plans

- A **Standard Repayment Plan** requires you to pay a fixed amount each month—at least $50 or the interest that has accrued.
- Under a **Graduated Repayment Plan**, your payments will be lower at first and then increase over time. No scheduled payment may be more than three times greater than any other of your scheduled payments.
- An **Income-Sensitive Repayment Plan** bases your monthly payment on your yearly income and your loan amount. As your income rises or falls, so do your payments. No single required payment may be more than three times greater than any other of your required payments. Each of your payments must at least equal the interest accrued on the loan between scheduled payments.

In some cases it may be beneficial for you to consolidate one or more of your FFEL Stafford Loans into a Consolidation Loan. See page 20 for more information on loan consolidation.

Examples of Typical Beginning Payments for FFEL Repayment Plans[1]

	Monthly and Total Payments Under Different Repayment Plans					
Total Debt When Borrower Enters Repayment	**Standard[2]**		**Graduated[3]**		**Income-sensitive[4] (Income=$25,000)**	
	Per Month	Total	Per Month	Total	Per Month	Total
$2,600	$50	$3,228	$30	$3,872	$83	$2,927
4,000	50	5,827	30	6,345	83	4,818
7,500	92	11,039	52	12,009	83	12,049
10,000	123	14,718	69	16,012	83	17,783
15,000	184	22,078	103	24,018	103	28,265

[1] Note: Payments are calculated using the maximum interest rate of 8.25% for student borrowers.

[2] Equal and fixed monthly payments ($50 minimum).

[3] Interest payments are for the first 48 months only; equal and fixed payment for the last 72 months.

[4] Assumes a 5% annual income growth (Census Bureau). Payment equals lesser of interest only or 4% of income. If payment amount is less than under the Standard Repayment Plan amount in any year, the term is extended by one year. The maximum number of extensions is five. That is, the maximum term is 15 years, the last 10 of which would be under the Standard Repayment Plan (equal and fixed).

PLUS Loans (Loans for Parents)

PLUS loans enable parents with good credit histories to borrow to pay the education expenses of each child who is a dependent undergraduate student enrolled at least half time.* (See page 3.) PLUS loans are available through both the Direct Loan and FFEL programs. Most of the benefits to parent borrowers are identical in the two programs.

Are there any borrowing requirements my parents have to meet?

Yes. To be eligible to receive a PLUS Loan, your parents generally will be required to pass a credit check. If they don't pass the credit check, they might still be able to receive a loan if someone, such as a relative or friend who is able to pass the credit check, agrees to endorse the loan, promising to repay it if your parents should fail to do so. Your parents might also qualify for a loan even if they don't pass the credit check if they can demonstrate that extenuating circumstances exist. You must meet the general eligibility requirements for federal student financial aid. (See page 2.) Your parents must also meet some of these general requirements. For example, your parents must meet citizenship* requirements and may not be in default* or owe a refund to any SFA Program.

How much can my parents borrow?

The yearly limit on a PLUS Loan is equal to your cost of attendance* minus any other financial aid you receive. For example, if your cost of attendance* is $6,000 and you receive $4,000 in other financial aid, your parents could borrow up to—but no more than—$2,000.

What's the interest rate on PLUS loans?

The interest rate is variable, but it will never exceed 9 percent. The interest rate is adjusted each year on July 1. Your parents will be notified of interest rate changes throughout the life of their loan(s). Interest is charged on the loan from the date the first disbursement is made until the loan is paid in full.

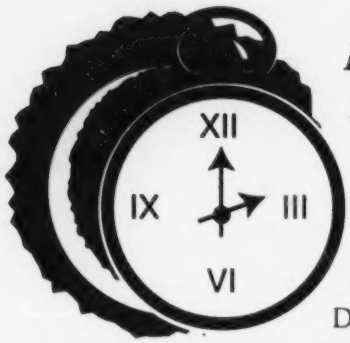
Is there a charge for a PLUS Loan?

Your parents will pay a fee of up to 4 percent of the loan. This fee is deducted proportionately each time a loan payment is made. For a FFEL PLUS Loan, a portion of this fee goes to the federal government to help reduce the cost of the loans. For a Direct PLUS Loan, all of this fee goes to the government to help reduce the cost of the loans. Also, if your parents don't make their loan payments when they're scheduled, they may be charged collection costs and late fees.

When do my parents begin repaying a PLUS Loan?

Generally, within 60 days after the final loan disbursement for the academic year. There is no grace period for these loans. This means that interest begins to accumulate at the time the first disbursement is made. Your parents must begin repaying both principal and interest while you're in school.

*See "Important Terms," pages 32 to 34.



Is it ever possible to postpone repayment of a PLUS Loan?

Yes. Under certain circumstances, your parents can receive a deferment or forbearance on their loan. Deferment and forbearance are explained on page 12. Generally, the conditions for eligibility and procedures for requesting a deferment or forbearance that apply to Stafford Loans also apply to PLUS loans. However, since all PLUS loans are unsubsidized, your parents will be charged interest during periods of deferment or forbearance. If they do not pay the interest as it accrues, it will be capitalized (see page 10).

Can a PLUS Loan be discharged (canceled)?

Yes, under certain circumstances. A discharge releases your parents from all obligation to repay the loan. A complete listing of discharge conditions is given on page 29.

Your parents' loan cannot be discharged because you didn't complete your program of study at your school (unless you were unable to complete the program because the school closed), didn't like the school or the program of study, or didn't obtain employment after completing the program of study.

For more information about loan discharge or repayment, Direct PLUS Loan borrowers should contact the Direct Loan Servicing Center. FFEL PLUS Loan borrowers should contact the lenders or agencies that hold their loans.

Direct PLUS Loans

The processes of applying for a loan and paying funds to the borrower, as well as the repayment plans offered, differ somewhat for Direct PLUS Loans and FFEL PLUS Loans.

How do my parents apply for a Direct PLUS Loan?

Your parents must fill out a *Direct PLUS Loan Application and Promissory Note*, which is available from your school's financial aid office. (It is not necessary for you or your parents to fill out a FAFSA to apply for this loan, unless your school requires it.)

NOTE: Your school can refuse to certify your parents' loan application, or can certify a loan for an amount less than they would otherwise be eligible for, if the school documents the reason for its action and explains the reason to your parents in writing. The school's decision is final and cannot be appealed to the U.S. Department of Education.

Do my parents need to find a lender?

No. Under the Direct Loan Program, their lender will be the U.S. Department of Education. Your school assists the federal government in administering the Direct Loan Program by distributing the loan application, processing the loan, and disbursing the loan funds.

How will my parents be paid?

In most cases, your school will disburse the loan funds in at least two installments (no installment can be greater than half the loan amount). The funds will first be used to pay for your tuition and fees, room and board, and other school charges. If any loan money remains, your parents will receive the amount as a check or in cash, unless they authorize it to be released to you or to be put in your school account. Any remaining loan money must be used for your education expenses.

How do my parents pay back the loan?

Your parents can choose the Standard, Extended, or Graduated Repayment Plan. (See page 14.) The Income Contingent Repayment Plan is not an option for Direct PLUS borrowers.

FFEL PLUS Loans

The processes of applying for a loan and paying funds to the borrower, as well as the repayment plans offered, differ somewhat for FFEL PLUS Loans and Direct PLUS Loans.

How do my parents apply for a FFEL PLUS Loan?

Your parents must submit a completed PLUS loan application (available from your school, a lender, or your state guaranty agency*) to your school. After the school completes its portion of the application, it must be sent to a lender for evaluation. Because your financial need does not have to be evaluated, you do not need to file a FAFSA unless your school requires it.

NOTE: Your school can refuse to certify your parents' loan application, or can certify a loan for an amount less than they would otherwise be eligible for, if the school documents the reason for its action and explains the reason to your parents in writing. The school's decision is final and cannot be appealed to the U.S. Department of Education.

How can my parents find a lender?

Your parents should contact your school or the guaranty agency* that serves your state. For your agency's address and telephone number, and for more information about borrowing, call the Federal Student Aid Information Center's toll-free number: **1-800-4-FED-AID (1-800-433-3243)**.

How will my parents be paid?

In most cases, the lender will send the loan funds to your school in at least two installments (no installment can be greater than half the loan amount). The funds will first be used to pay for your tuition and fees, room and board, and other school charges. If any loan money remains, your parents will receive the amount as a check or in cash, unless they authorize it to be released to you or to be put in your school account. Any remaining loan money must be used for your education expenses.

How do my parents pay back the loan?

The lender will arrange a repayment schedule. The schedule will provide for a minimum of $600 to be paid annually and a maximum repayment period of 10 years (excluding periods of deferment and forbearance).

*See "Important Terms," pages 32 to 34.

Consolidation Loans

A Consolidation Loan is designed to help student and parent borrowers simplify loan repayment by allowing the borrower to consolidate several types of federal student loans with various repayment schedules into one loan. You can even consolidate just one loan into a Direct Consolidation Loan to get benefits such as flexible repayment options. If you have more than one loan, a Consolidation Loan simplifies the repayment process because you make only one payment a month. Also, the interest rate on the Consolidation Loan may be lower than what you're currently paying on one or more of your loans. If you're in default* on a federal education loan, you may receive a Consolidation Loan if certain conditions are met.

Both the Direct Loan Program and the FFEL Program offer consolidation loans. Direct Consolidation Loans are available from the U.S. Department of Education. FFEL Consolidation Loans are available from participating lenders such as banks, credit unions, and savings and loan associations.

Direct Consolidation Loans

Who is eligible for a Direct Consolidation Loan?

You can get a Direct Consolidation Loan during your grace period, once you have entered repayment, or during periods of deferment or forbearance. You must consolidate at least one Direct Loan or FFEL Loan. If you don't have a Direct Loan, but you have a FFEL Loan, you must first contact a FFEL lender who makes FFEL Consolidation Loans to ask about obtaining a FFEL Consolidation Loan. If you are eligible for the Direct Loan Income Contingent Repayment Plan and you are unable to obtain a FFEL Consolidation Loan or one with income-sensitive repayment terms that are acceptable to you, you are eligible to apply for a Direct Consolidation Loan.

If you are still in school, you may apply for a Direct Consolidation Loan for any Direct Loans or FFEL Loans if you are attending at least half time* and have at least one Direct Loan or FFEL Program loan in an in-school period. (Generally, your loan is in an in-school period if you have been continuously enrolled at least half time* since the loan was disbursed.) In addition, if the school you are attending is not a Direct Loan school, at least one of the loans that you consolidate must be a Direct Loan.

If you're in default* on a federal education loan, you may be able to receive a Direct Consolidation Loan. For more information, contact the Loan Origination Center's Consolidation Department at **1-800-557-7392**. If you are hearing impaired, you may call the TDD number at **1-800-557-7395**.

What kinds of loans can be consolidated under a Direct Consolidation Loan?

Most federal student loans and PLUS loans can be consolidated. All the loans discussed in the *Guide* are eligible for consolidation. The Loan Origination Center's Consolidation Department can give you a complete listing of eligible loans. The toll-free telephone number of the Center's Consolidation Department is **1-800-557-7392**. If you are hearing impaired, you may call the TDD number at **1-800-557-7395**.

*See "Important Terms," pages 32 to 34.

Loans that are consolidated into a Direct Consolidation Loan fall into one of three categories:

- **Direct Subsidized Consolidation Loans**
- **Direct Unsubsidized Consolidation Loans**
- **Direct PLUS Consolidation Loans**

If you have loans from more than one category, you still have only one Direct Consolidation Loan and make only one monthly payment. However, interest rates differ depending on the loan category, as do repayment and deferment options for the borrower.

What is the interest rate on a Direct Consolidation Loan?

For Direct Subsidized and Unsubsidized Consolidation Loans, the interest rate is variable but cannot exceed 8.25 percent. For Direct PLUS Consolidation Loans, the interest rate is also variable and may not exceed 9 percent. These interest rates are adjusted each year on July 1.

How do I pay back my Direct Consolidation Loan?

Generally, all the Direct Loan repayment plans are available to borrowers of Direct Consolidation Loans. However, some restrictions may apply. For example, Direct PLUS Consolidation Loans are not eligible to be repaid under the Income Contingent Repayment Plan.

How can I get a Direct Consolidation Loan?

You'll be given more information about consolidation loans during entrance and exit counseling sessions at your school. You may also contact the Loan Origination Center's Consolidation Department at **1-800-557-7392**. If you are hearing impaired, you may call the TDD number, **1-800-557-7395**.

FFEL Consolidation Loans

Who is eligible for a FFEL Consolidation Loan?

You can get a FFEL Consolidation Loan during your grace period or once you have entered repayment.

If you're in default* on a federal education loan, you may be able to receive a FFEL Consolidation Loan. For more information, contact a lender that participates in the FFEL Consolidation Loan Program.

What kinds of loans can be consolidated under a FFEL Consolidation Loan?

Most federal student loans and FFEL PLUS loans can be consolidated. Most of the loans discussed in the *Guide* are eligible for consolidation; Direct Loans may not be consolidated under a FFEL Consolidation Loan. A participating lender can give you a complete listing of eligible loans.

There are two types of FFEL Consolidation Loans:

- **Subsidized FFEL Consolidation Loans**
- **Unsubsidized FFEL Consolidation Loans**

If all of the loans you consolidate are subsidized, you'll receive a Subsidized FFEL Consolidation Loan. If any loan you consolidate is unsubsidized, you'll receive an Unsubsidized FFEL Consolidation Loan for all loans, including those that were subsidized.

**See "Important Terms," pages 32 to 34.*

What's the interest rate on a FFEL Consolidation Loan?

The interest rate for your FFEL Consolidation Loan will be the weighted average of the original interest rates of the loans being consolidated. The rate is rounded up to the nearest whole percent.

How do I pay back my FFEL Consolidation Loan?

All the FFEL repayment plans are available to borrowers of FFEL Consolidation Loans.

How can I get a FFEL Consolidation Loan?

You'll be given more information about consolidation loans during entrance and exit counseling sessions at your school. You may also contact the consolidation department of a participating lender for an application or more information.

Campus-Based Programs

The three programs discussed in this section are called campus-based programs because they're administered directly by the financial aid office at each participating school. Not all schools participate in all three programs. The Federal Supplemental Educational Opportunity Grant (FSEOG) Program awards grants; the Federal Work-Study Program offers jobs; and the Federal Perkins Loan Program offers loans. Even though each program is different, they have these characteristics in common:

- How much aid you receive depends on your financial need (see page 2), on the amount of other aid you'll receive, and on the availability of funds at your school. Unlike the Federal Pell Grant Program, which provides every eligible student with funds, each school participating in any of the campus-based programs receives a certain amount of funds for each campus-based program each year. When that money is gone, no more awards can be made from that program for that year.
- Each school sets its own deadlines for students to apply for campus-based funds. The deadlines will usually be earlier than the U.S. Department of Education's deadline for filing a federal student financial aid application (in this case, June 30, 1998). Ask your financial aid administrator about the school's deadlines. You may miss out on aid from these programs if you don't apply early!

Federal Supplemental Educational Opportunity Grants

What is a Federal Supplemental Educational Opportunity Grant?

A Federal Supplemental Educational Opportunity Grant (FSEOG) is for undergraduates with exceptional financial need—that is, students with the lowest Expected Family Contributions (EFCs)—and gives priority to students who receive Federal Pell Grants. An FSEOG doesn't have to be paid back.

What's the difference between the FSEOG and Federal Pell Grant?

The U.S. Department of Education guarantees that each participating school will receive enough money to pay the Federal Pell Grants of its eligible students. There's no guarantee every eligible student will be able to receive a FSEOG; students at each school are paid based on the availability of funds at that school.

How much money can I get?

You can get between $100 and $4,000 a year, depending on when you apply, your level of need, and the funding level of the school you're attending.

How will I be paid?

Your school will credit your account, pay you directly (usually by check), or combine these methods. Schools must pay students at least once per term (semester, trimester, or quarter). Generally, schools that do not use traditional terms must pay you at least twice during the academic year.*

Federal Work-Study

What is Federal Work-Study?

The Federal Work-Study Program provides jobs for undergraduate and graduate students with financial need, allowing them to earn money to help pay education expenses. The program encourages community service work and work related to your course of study.

How much will I make?

Your Federal Work-Study salary will be at least the current federal minimum wage, but it may be higher, depending on the type of work you do and the skills required. Your total Federal Work-Study award depends on when you apply, your level of need, and the funding level of your school.

How will I be paid?

If you're an undergraduate, you'll be paid by the hour. If you're a graduate student, you may be paid by the hour or you may receive a salary. No Federal Work-Study student may be paid by commission or fee. Your school must pay you directly at least once a month.

Are Federal Work-Study jobs on campus or off campus?

Both. If you work on campus, you'll usually work for your school. If you work off campus, your employer will usually be a private non-profit organization or a public agency, and the work performed must be in the public interest. Some schools may have agreements with private for-profit employers for Federal Work-Study jobs, which must be relevant to your course of study. If you attend a proprietary school, there may be further restrictions on the jobs you can be assigned.

Can I work as many hours as I want?

No. The amount you earn can't exceed your total Federal Work-Study award. When assigning work hours, your employer or financial aid administrator will consider your class schedule and your academic progress.

*See "Important Terms," pages 32 to 34.

Federal Perkins Loans

What is a Federal Perkins Loan?

A Federal Perkins Loan is a low-interest (5 percent) loan for both undergraduate and graduate students with exceptional financial need. Your school is your lender and the loan is made with government funds. You must repay this loan to your school.

How much can I borrow?

Depending on when you apply, your level of need, and the funding level of the school, you can borrow up to

- $3,000 for each year of undergraduate study. The total amount you can borrow as an undergraduate is $15,000.
- $5,000 for each year of graduate or professional study. The total amount you can borrow as a graduate/professional student is $30,000. (This includes any Federal Perkins Loans you borrowed as an undergraduate.)

Is there a charge for this loan?

A Perkins Loan borrower is not charged any fees. However, if you skip a payment, make a payment late, or make less than a full payment, you may have to pay a late charge plus any collection costs. Late charges will continue until your payments are current.

How will I be paid?

Your school will either pay you directly (usually by check) or credit your account. Generally, you'll receive the loan in at least two payments during the academic year.*

When do I pay back this loan?

If you're attending school at least half time,* you have nine months after you graduate, leave school, or drop below half-time* status before you must begin repayment. This is called a grace period. If you're attending less than half time,* check with your financial aid administrator to determine your grace period. At the end of your grace period, you must begin repaying your loan. You may be allowed up to 10 years to repay.

Examples of Typical Payments for Perkins Loan Repayment

Total Loan Amount	Number of Payments	Monthly Payment	Total Interest Charges	Total Repaid
$3,000	119 1	$31.84 $28.90	$817.86	$3,817.86
$5,000	119 1	$53.06 $49.26	$1,363.40	$6,363.40
$15,000	119 1	$159.16 $150.81	$4,090.85	$19,090.85

*See "Important Terms," pages 32 to 34.

How much will I have to repay each month?

Your monthly payment amount will depend on the size of your debt and the length of your repayment period.

The chart on page 24 shows typical monthly payments and total interest charges for three different 5-percent loans over a 10-year period.

Can I postpone repayment of my Federal Perkins Loan?

Yes. Under certain circumstances, you can receive a deferment or forbearance on your loan. During a **deferment**, you are allowed to temporarily postpone payments on your loan, and no interest accrues. You may receive a deferment under certain conditions, such as unemployment. See page 28 for the list of deferments available if your Perkins Loan was disbursed on or after July 1, 1993. If you have a loan that was disbursed before July 1, 1993, check your promissory note* for the deferments that apply to that loan.

Deferments are not automatic. You must apply for one through your school by using a deferment request form your school can give you. You must file your deferment request on time or you'll pay a late charge. For more details on deferments, contact your financial aid office.

If you are temporarily unable to meet your repayment schedule but are not eligible for a deferment, you can receive **forbearance** for a limited and specific period. During forbearance, your payments are postponed or reduced. Interest continues to accrue; you are responsible for it.

Forbearance isn't automatic either. You may be granted forbearance in up to 12-month intervals for up to three years. You must apply in writing for forbearance through the school that made your loan or the agency the school employs to service your loan. You'll have to provide documentation to support your request for forbearance. **You must continue making scheduled payments until you are notified that deferment or forbearance has been granted.**

Can my Federal Perkins Loan be canceled?

Yes. If the borrower dies or becomes totally and permanently disabled, the loan can be canceled. A loan can also qualify for cancellation under certain other conditions—as long as the borrower is not in default.* See page 29 for the list of cancellation conditions. For more information, contact your financial aid office.

If you serve as an enlisted person in certain specialties of the U.S. Army, the Army Reserves, the Army National Guard, or the Air National Guard, the U.S. Department of Defense may, as an enlistment incentive, repay a portion of your Federal Perkins Loan. Note that this is not a cancellation. If you think you qualify, contact your recruiting officer.

If you have any questions about the terms of your Federal Perkins Loan, repayment obligations, deferment, forbearance, or cancellation, check with the school that made the loan. Only that school may grant deferment, forbearance, or cancellation, or make other decisions concerning your loan.

*See "Important Terms," pages 32 to 34.

Borrower Responsibilities, Borrower Rights

Responsibilities

When you take out a student loan, you have certain responsibilities. Here are a few of them:

- When you sign a promissory note,* you're agreeing to repay the loan according to the terms of the note. The note is a binding legal document and states that, except in cases of discharge (see page 29), you must repay the loan—even if you don't complete your education; aren't able to get a job after you complete the program; or are dissatisfied with, or don't receive, the education you paid for. Think about what this obligation means before you take out a loan. If you don't repay your loan on time or according to the terms in your promissory note,* you may go into default,* which has very serious consequences.
- You must make payments on your loan even if you don't receive a bill or repayment notice. Billing statements (or coupon books) are sent to you as a convenience, but you're obligated to make payments even if you don't receive any notice.
- If you apply for a deferment or forbearance, you must continue to make payments until you are notified that the request has been granted. If you don't, you may end up in default.* You should keep a copy of any request form you submit, and you should document all contacts with the organization that holds your loan.
- You must notify the appropriate representative (school, agency, lender, or the Direct Loan Servicing Center) that manages your loan when you graduate, withdraw from school, or drop below half-time* status; change your name, address, or Social Security Number; or transfer to another school. If you borrow a Perkins Loan, your loan will be managed by the school that lends you the money or by an agency that the school assigns to service the loan. If you borrow a Direct Loan, it will be managed by the Direct Loan Servicing Center. If you borrow a FFEL Program Loan, it will be managed by your lender or its servicing agent. During your loan counseling session, you'll be given the name of the representative that manages your loan.
- Regardless of the type of loan you borrow, you must receive entrance counseling before you're given your first loan disbursement, and you must receive exit counseling before you leave school. These counseling sessions will be administered by your school and will provide you with important information about your loan. Your lender or the Direct Loan Servicing Center will provide you with additional information about your loan.

See "Important Terms," pages 32 to 34.

Rights

You have certain rights as a borrower. Listed below are some of them.

Before your school makes your first loan disbursement, you'll receive the following information about your loan from your school, lender, and/or the Direct Loan Servicing Center:

- the full amount of the loan.
- the interest rate.
- when you must start repaying the loan.
- the effect borrowing will have on your eligibility for other types of financial aid.
- a complete list of any charges you must pay (loan fees) and information on how those charges are collected.
- the yearly and total amounts you can borrow.
- the maximum repayment periods and the minimum repayment amount.
- an explanation of default* and its consequences.
- an explanation of available options for consolidating or refinancing your loan.
- a statement that you can prepay your loan at any time without penalty.

Before you leave school, you'll receive the following information about your loan from your school, lender, and/or the Direct Loan Servicing Center:

- the amount of your total debt (principal and estimated interest), what your interest rate is, and the total interest charges on your loan.
- if you have FFEL Program Loans, the name of the lender or agency that holds your loan, where to send your payments, and where to write or call if you have questions.
- if you have Direct Loans, the address and telephone number of your Direct Loan Servicing Center.
- the fees you might be charged during the repayment period, such as late charges and collection or litigation costs if you're delinquent or in default.*
- an explanation of available options for consolidating or refinancing your loan.
- a statement that you can prepay your loan without penalty at any time.

If you borrow a Federal Perkins Loan, the previous information will be provided to you by your school. If you borrow a Direct Loan or a FFEL Program Loan, this information will be provided to you by the Direct Loan Servicing Center or your lender, as appropriate.

If you have Direct or FFEL Stafford loans, your school will also provide you with the following information during your exit counseling session:

- a current description of your loans, including the average monthly anticipated payments of students from your school.
- a description of applicable deferment, forbearance, and discharge provisions.
- repayment options.
- advice about debt management that will help you in making your payments.
- notification that you must provide your expected permanent address, the name and address of your expected employer, the address of your next-of-kin, and any corrections to your school's records concerning your name, Social Security Number, references, and driver's license number (if you have one).

You have the right to a grace period before your repayment period begins. (Your parents do not receive a grace period for a PLUS Loan.) Your

*See "Important Terms," pages 32 to 34.

grace period begins when you leave school or drop below half-time* status. The exact length of your grace period is shown on your promissory note.*

During exit counseling, your school, lender, and/or the Direct Loan Servicing Center as appropriate must give you a loan repayment schedule that states when your first payment is due, the number and frequency of payments, and the amount of each payment.

You must be given a summary of deferment and discharge (cancellation) provisions, including the conditions under which the U.S. Department of Defense may repay your loan.

If you or your parents borrow a FFEL Program Loan, you (or your parents for a PLUS loan) must be notified when the loan is sold if the sale results in making payments to a new lender or agency. Both the old and new lender or agency must notify the borrower of the sale: the identity of the new lender or agency holding the loan; the address to which the borrower must make payments; and the telephone numbers of both the old and new lender or agency.

Loan Deferment Summary

Deferment condition	Direct Loans[1,2]	FFEL Program Loans[1,3]	Perkins[4]
At least half-time study at a postsecondary school	YES	YES	YES
Study in an approved graduate fellowship program or in an approved rehabilitation training program for the disabled	YES	YES	YES
Unable to find full-time employment	Up to 3 years	Up to 3 years	Up to 3 years
Economic hardship	Up to 3 years	Up to 3 years	Up to 3 years
Engaged in service listed under discharge/cancellation conditions (see page 29)	NO	NO	YES

[1] *For PLUS loans and unsubsidized student loans, only principal is deferred. Interest continues to accrue.*

[2] *Direct Loan borrowers who have outstanding balances on FFEL Loans disbursed prior to July 1993 will be eligible for additional deferments.*

[3] *Applies to loans first disbursed on or after July 1, 1993 to borrowers who have no outstanding FFEL Program Loan, Federal SLS loan or consolidation loan on the date they signed their promissory note. (Note that the SLS Program has been repealed beginning with the 1994-95 award year.)*

[4] *Applies to loans first disbursed on or after July 1, 1993.*

NOTE: You must formally request a deferment through the procedures established by the holder of your loan, and you must continue making payments until you're notified that the deferment has been granted.

*See "Important Terms," pages 32 to 34.

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Discharge/Cancellation Summary

Cancellation condition	Direct Loans	FFEL Program Loans	Perkins
Borrower's total and permanent disability or death	100%[1]	100%[1]	100%
Full-time teacher in a designated elementary or secondary school serving students from low-income families	NO	NO[3]	Up to 100%[2]
Full-time special education teacher (includes teaching children with disabilities in a public or other nonprofit elementary or secondary school)	NO	NO	Up to 100%[2]
Full-time qualified professional provider of early intervention services for the disabled	NO	NO	Up to 100%[4,7]
Full-time teacher of math, science, foreign languages, bilingual education, or in other fields designated as teacher shortage areas	NO[3]	NO[3]	Up to 100%[4,7]
Full-time employee of a public or nonprofit child- or family-service agency providing services to high-risk children and their families from low-income communities	NO	NO	Up to 100%[4,7]
Full-time nurse or medical technician	NO	NO[3]	Up to 100%[4,7]
For loans made on or after November 29, 1990, service as a full-time law enforcement or corrections officer	NO	NO	Up to 100%[2]
Full-time service as a staff member in the educational component of a Head Start Program	NO	NO	Up to 100%[2]
Service as a Vista or Peace Corps Volunteer	NO[3]	NO[3]	Up to 70%[2]
Service in the Armed Forces	NO	NO	Up to 50% in areas of hostilities or imminent danger[2]
Bankruptcy	In some cases[5]	In some cases[5]	In some cases[5]
Closed school (before student could complete program of study) or false loan certification[6]	100%[6]	100%[6]	NO

[1] Includes death but not disability of the student for whom the parents borrowed. This additional provision applies to any such student who dies on or after July 23, 1992.

[2] Service qualifies for deferment also.

[3] No funding available for this benefit at this time. Does not apply to PLUS Loans.

[4] This benefit applies to Perkins Loans made on or after July 23, 1992.

[5] Seven years must have passed between the date the loan became due and the date the borrower files for bankruptcy (not counting deferment or forbearance periods). If seven years have not passed, cancellation is possible only if the bankruptcy court rules that repayment would cause undue hardship.

[6] For loans received on or after January 1, 1986.

[7] Service qualifies for deferment also for loans made on or after July 1, 1993.

[8] School falsely certified student's ability to benefit from the school's training or there is an unauthorized signature on the student's loan documentation.

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Choosing a School Carefully

Education after high school costs you time, money, and effort. It's a big investment, and you should carefully evaluate the school you're considering. Just because a school participates in the federal student aid programs does not mean the U. S. Department of Education has endorsed the quality of the education the school offers. The Department does not approve a school's curriculum, policies, or administrative practices, except as they relate to how the school operates the federal student financial aid programs. It's up to you to check out the school. To find out about a school, you need to

- **ask the school for a copy of the documents describing the school's accreditation and licensing.** The accrediting and licensing agencies have evaluated the school and found it meets certain minimum requirements that the agencies have set.
- **ask the school about its loan default* rate** (the percentage of students who attended the school, took out federal student loans, and later went into default*). You may not be able to get aid from some of the Student Financial Assistance (SFA) Programs at a school if that school has a high default* rate.
- **ask the school for a copy of its campus security report.** The campus security report provides information on the school's campus security policies and campus crime statistics. Schools must publish and distribute a campus security report every year to all current students and employees of the school. In addition, if you contact a school and ask for admissions information, the school must inform you that its campus security report is available, provide you with a summary of the report, and let you know how you may obtain a copy. If you have evidence that any information provided in a school's campus security report is inaccurate, contact the Federal Student Aid Information Center at 1-800-4-FED-AID (1-800-433-3243).
- **ask the school for its job placement rate.** If the school advertises its job placement rates, it must also publish the most recent employment statistics, graduation statistics, and any other information necessary to back up its claims. This information must be available at, or before, the time you apply for admission to the school.
- **ask the financial aid office about the school's refund policy.** If you enroll but never begin classes, you should get most of your money back. If you begin attending classes but leave before completing your coursework, you may be able to get part of your money back. Keep in mind that if you receive federal student aid from any of the programs mentioned in the *Guide*—except for Federal Work-Study—and a refund is made, some or all of that money will be returned directly to those aid programs or to the lender for your loans.

NOTE: Even if you don't finish your coursework, you'll have to repay the loan funds you received, less any amount returned to your lender by the school.

*See "Important Terms," pages 32 to 34.

- **find out about financial aid availability.** You have the right to receive the following information from the school:
  - ✔ the financial assistance that is available, including information on all federal, state, local, private, and institutional financial aid programs.
  - ✔ the procedures and deadlines for submitting applications for each available financial aid program.
  - ✔ how a school selects financial aid recipients.
  - ✔ how the school determines your financial need.
  - ✔ how the school determines each type and amount of assistance in your financial aid package.*
  - ✔ how and when you'll receive your aid.
  - ✔ how the school determines whether you're making satisfactory academic progress,* and what happens if you're not. Whether you continue to receive federal financial aid depends, in part, on whether you make satisfactory academic progress.*
  - ✔ if you're offered a Federal Work-Study job (see page 23), what the job is, what hours you must work, what your duties will be, what the rate of pay will be, and how and when you'll be paid.
  - ✔ the location, hours, and counseling procedures of the school's financial aid office.
- **talk to high school counselors, local employers, and the state higher education agency.** See if any complaints about the school have been filed with the local Better Business Bureau, Chamber of Commerce, or consumer protection division of the state attorney general's office. Contact these organizations if you have a complaint about a school.
- you may also wish to **ask the school for a copy of its "equity-in-athletics" report.** Any coeducational school where you can receive SFA Program assistance that has an interschool athletic program must prepare an equity-in-athletics report giving financial and statistical information for men's and women's sports. This information is designed to make students aware of a school's commitment to providing equitable athletic opportunities for its men and women students.

You're paying for a quality education. Make sure you get it.

*See "Important Terms," pages 32 to 34.

Important Terms

Academic Year: A period of time schools use to measure a quantity of study. For example, a school's academic year may consist of a fall and spring semester, during which a student must complete 24 semester hours. Academic years vary from school to school, and even from educational program to educational program at the same school.

Citizen/Eligible Noncitizen: You must be one of the following to receive federal student aid:

- ✔ U.S. citizen
- ✔ U.S. national (includes natives of American Samoa or Swain's Island)
- ✔ U.S. permanent resident who has an I-151, I-551, or I-551C (Alien Registration Receipt Card)

If you're not in one of these categories, you must have an Arrival-Departure Record (I-94) from the U.S. Immigration and Naturalization Service (INS) showing one of the following designations in order to be eligible:

- ✔ "Refugee"
- ✔ "Asylum Granted"
- ✔ "Indefinite Parole" and/or "Humanitarian Parole"
- ✔ "Cuban-Haitian Entrant, Status Pending"
- ✔ "Conditional Entrant" (valid only if issued before April 1, 1980)
- ✔ Other eligible noncitizen with a Temporary Resident Card (I-688)

Or you can be eligible based on the Family Unity Status category with an approved I-797 (Voluntary Departure and Immigrant Petition).

If you have only a Notice of Approval to Apply for Permanent Residence (I-171 or I-464), you aren't eligible for federal student aid.

If you're in the United States on an F1 or F2 student visa only, or on a J1 or J2 exchange visitor visa only, you can't get federal student aid. Also, persons with G series visas (pertaining to international organizations) are not eligible for federal student aid.

NOTE: Citizens and eligible noncitizens may also receive loans from the FFEL and Direct Loan Programs at participating foreign schools.

Citizens of the Federated States of Micronesia, the Republic of the Marshall Islands, and Palau are eligible only for Federal Pell Grants, Federal Supplemental Educational Opportunity Grants (FSEOGs), or Federal Work-Study. These applicants should check with their financial aid administrators for more information.

Cost of Attendance (COA): The total amount it will cost a student to go to school—usually expressed as a yearly figure. It is determined using rules established by the U.S. Congress. The COA includes tuition and fees; on-campus room and board (or a housing and food allowance for off-campus students); and allowances for books, supplies, transportation, loan fees (if applicable), dependent care, costs related to a disability, and miscellaneous expenses. Also included are reasonable costs for eligible study-abroad programs. An allowance (determined by the school) is included for reasonable costs connected with a student's employment as part of a cooperative education program. For students attending less than half time,* the COA includes only tuition and fees and an allowance for books, supplies, transportation, and dependent-care expenses.

See "Important Terms," pages 32 to 34.

Talk to the financial aid administrator at the school you're planning to attend if you have any unusual expenses that might affect your cost of attendance.

Default: Failure to repay a loan according to the terms agreed to when you signed a promissory note.* Default also may result from failure to submit requests for deferment or cancellation on time. If you default, your school, the lender or agency that holds your loan, the state, and the federal government may all take action to recover the money, including notifying national credit bureaus of your default. This may affect your credit rating for a long time. For example, you may find it very difficult to borrow from a bank to buy a car or a house.

In addition, the lender or agency holding your loan may ask your employer to deduct payments from your paycheck. Also, you may be liable for expenses incurred in collecting the loan. If you decide to return to school, you're not entitled to receive any more federal student aid or any of the deferments listed on page 28. The U.S. Department of Education may ask the U.S. Internal Revenue Service to withhold your income tax refund, and the amount of your refund will be applied toward the amount you owe.

Eligible Program: A course of study that leads to a degree or certificate and meets the U.S. Department of Education's requirements for an eligible program. To get federal financial aid, you must be enrolled in an eligible program, with two exceptions:

- If a school has told you that you must take certain coursework to qualify for admission into one of its eligible programs, you can get a Direct Loan or a FFEL Program Loan (or your parents can get a PLUS Loan) for up to 12 consecutive months while you're completing that coursework. You must be enrolled at least half time,* and you must meet the usual student aid eligibility requirements.
- If you're enrolled at least half time* in a program to obtain a professional credential or certification required by a state for employment as an elementary or secondary school teacher, you can get a Federal Perkins Loan, Federal Work-Study, a FFEL Stafford Loan, a Direct Loan (or your parents can get a PLUS Loan) while you're enrolled in that program.

Financial Aid Package: The total amount of financial aid (federal and nonfederal) a student receives.

General Education Development (GED) Certificate : A certificate students receive if they've passed a specific, approved high school equivalency test. Students who don't have a high school diploma but who have a GED may still qualify for federal student aid. A school that admits students without a high school diploma must make a GED program in the vicinity of the school available to these students and must inform them about the program.

Guaranty Agency: The organization that administers the FFEL Program for your school. The federal government sets loan limits and interest rates, but each guaranty agency is free to set its own additional limitations, within federal guidelines. This agency is the best source of information on FFEL Program loans. To find out the name, address, and telephone number of the agency serving your state, as well as information about borrowing, call the Federal Student Aid Information Center at 1-800-4-FED-AID (1-800-433-3243).

*See "Important Terms," pages 32 to 34.

Half Time: At schools measuring progress by credit hours and semesters, trimesters, or quarters, half-time enrollment is at least six semester hours or quarter hours per term. At schools measuring progress by credit hours but not using semesters, trimesters, or quarters, half-time enrollment is at least 12 semester hours or 18 quarter hours per year. At schools measuring progress by clock hours, half-time enrollment is at least 12 hours per week. Note that schools may choose to set higher minimums than these.

You must be attending school at least half time to be eligible to receive Direct or FFEL Program loans. Half-time enrollment is not a requirement to receive aid from the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study, and Federal Perkins Loan programs.

Promissory Note: The binding legal document you sign when you get a student loan. It lists the conditions under which you're borrowing and the terms under which you agree to pay back the loan. It will include information about your interest rate and about deferment and cancellation provisions. It's very important to read and save this document because you'll need to refer to it later when you begin repaying your loan.

Regular Student: One who is enrolled in an institution to obtain a degree or certificate. Generally, to receive aid from the programs discussed in this booklet, you must be a regular student. (For some programs, there are exceptions to this requirement. See the definition of eligible program.*)

Satisfactory Academic Progress: To be eligible to receive federal student aid, you must maintain satisfactory academic progress toward a degree or certificate. You must meet your school's written standard of satisfactory progress. Check with your school to find out its standard.

If you received federal student aid for the first time on or after July 1, 1987, and you're enrolled in a program that's longer than two years, the following definition of satisfactory progress also applies to you: You must have a C average by the end of your second academic year* of study or have an academic standing consistent with your institution's graduation requirements. You must continue to maintain satisfactory academic progress for the rest of your course of study.

Selective Service Registration: If required by law, you must register, or arrange to register, with the Selective Service to receive federal student aid. The requirement to register applies to males who were born on or after January 1, 1960, are at least 18 years old, are citizens or eligible noncitizens,* and are not currently on active duty in the armed forces. (Citizens of the Federated States of Micronesia, the Marshall Islands, or Palau are exempt from registering.)

See "Important Terms," pages 32 to 34.

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